

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

UNISONE STRATEGIC IP, INC.,

Plaintiff,

V.

TRACELINK, INC.,

Defendants.

CASE NO.: 3:13-cv-1743-GPC-LL

**ORDER GRANTING MOTION FOR
LEAVE TO FILE AN AMENDED
COMPLAINT**

[DKT. No. 118]

Plaintiff Unisone Strategic IP, Inc. (“Plaintiff” or “Unisone”) has moved for leave to file a second amended complaint against Defendant TraceLink, Inc. (“Defendant”). ECF No. 118. No oppositions have been filed. Upon review of the moving papers, the Court finds that good cause exists to permit the filing of a Second Amended Complaint.

I. Background

On July 25, 2013, Plaintiff filed its initial Complaint asserting infringement of U.S. Pat. No. 6,996,538 (“the ‘538 patent”) against Defendant. ECF No. 1. After a period of motion practice, Plaintiff filed a first amended complaint alleging infringement of that same patent on January 6, 2014. ECF No. 26. On January 16, 2014, Defendant

1 subsequently filed a Motion to Stay pending an *ex parte* reexamination of the ‘538 patent.
2 ECF No. 27. The Court granted that motion and stayed this instant action on April 2,
3 2014, pending the reexamination of the ‘538 patent. ECF No. 34.

4 On December 5, 2014, Life Technology, Inc. (“Life Tech”), a defendant in a co-
5 pending action before this Court, filed a petition requesting covered business method
6 (“CBM”) patent review of the ‘538 patent before the United States Patent and Trademark
7 Office Patent Trial and Appeal Board (“PTAB”). CBM2015-0037. On April 8, 2015, the
8 Court ordered that the instant action be stayed pending the final outcome of the CBM
9 review proceedings. CBM2016-00025. Life Tech then filed a second petition requesting
10 CBM patent review of the ‘538 patent before the PTAB on December 30, 2015. In total,
11 Life Tech requested CBM review of claims 1, 14, 19, 22-28, 32, 34-36, 52, 62, 67, 70-76,
12 81, 83-85, and 96. *See* CBM2015-00037, Paper No. 1; CBM2016-00025, Paper No. 2.
13 None of these challenged claims survived review and were thus declared invalid by the
14 USPTO.

15 Plaintiff asserts that Claims 2-13, 15-18, 20, 21, 29-31, 33, 37-51, 52-61, 64-66,
16 68, 69, 77-80, 82, 86-95 were not challenged. Plaintiff now seeks to bring these claims
17 against the Defendant in its Second Amended Complaint.

18 **II. Legal Standard**

19 Rule 15(a) of the Federal Rules of Civil Procedure states that, after the initial
20 period for amendments as of right, pleadings may only be amended by leave of court,
21 which “[t]he court shall freely give when justice so requires.” Fed. R. Civ. P. 15(a)(2).
22 Courts commonly use four factors to determine the propriety of a motion for leave to
23 amend: bad faith, undue delay, prejudice to the opposing party, and futility of
24 amendment. *Ditto v. McCurdy*, 510 F.3d 1070, 1078-79 (9th Cir. 2007); *Loehr v.*
25 *Ventura Cnty. Cnty. Coll. Dist.*, 743 F.2d 1310, 1319 (9th Cir. 1984); *Howey v. United*
26 *States*, 481 F.2d 1187, 1190 (9th Cir. 1973). “When weighing these factors . . . all
27 inferences should be made in favor of granting the motion to amend.” *Hofstetter v.*
28 *Chase Home Fin., LLC*, 751 F. Supp. 2d 1116, 1122 (N.D. Cal 2010) (citing *Griggs v.*

1 *Pace Am. Grp., Inc.*, 170 F.3d 877, 880 (9th Cir. 1999)). In accordance with the Federal
2 Rules' liberal pleading standards, courts typically apply the policy of free amendment
3 with much liberality. *DCD Programs, Ltd. V. Leighton*, 833 F.2d 183, 186 (9th Cir.
4 1987), *citing United States v. Webb*, 655 F.2d 977, 979 (9th Cir. 1981).

5 **III. Discussion**

6 Plaintiff argues that this Court should grant his motion for leave to file an amended
7 complaint because such motions are granted liberally. Plaintiff asserts that it has
8 redrafted the complaint to more specifically allege the infringing conduct by Defendant
9 and how that conduct infringes the elements of the claims. In addition, Plaintiff contends
10 that the second amended complaint would be brought in good faith and with good cause,
11 without undue delay or prejudice to Defendant.

12 “To show undue delay, the opposing party must at least show delay past the point
13 of discovery.” *SAES Getter S.p.A. v. Aeronex, Inc.*, 219 F.Supp.2d 1081 (S.D. Cal.
14 2002), *citing Hayes v. New England Millwork Distrib., Inc.*, 602 F.2d 15, 20 (1st Cir.
15 1979). Here, the instant action was stayed pending the reexamination and CBM reviews
16 before the USPTO. And although this action first began in 2013, discovery has not yet
17 begun. As such, the Court finds that there is no undue delay.

18 In addition, the Court finds that there is no bad faith. Courts have previously found
19 bad faith when, for example, “the plaintiff merely is seeking to prolong the litigation by
20 adding new but baseless legal theories,” *See Griggs v. Pace AM. Grp., Inc.*, 170 F.3d
21 877, 881 (9th Cir. 1999) (citations omitted), or when plaintiffs attempt to use the
22 amendment to change the warrantlessly change the nature or venue of the case, *see*
23 *Sorosky v. Burroughs Corp.*, 826 F.2d 794, 805 (9th Cir. 1987). Plaintiff also offers
24 tactics such as “seeking to add a defendant merely to destroy diversity jurisdiction” as
25 another example of “bad faith.” *Id.* Here, Plaintiff does not engage in any of those
26 tactics. Since Plaintiff seeks to amend the complaint to “provide more detailed
27 allegations of infringement” with respect to the claims that were not submitted for CBM
28 and reexamination reviews, the Court finds that there no bad faith. ECF No. 118 at 3.

1 There is also no undue prejudice. Courts have typically found “undue prejudice”
2 where the additional claims “would have greatly altered the nature of the litigation and
3 would have required defendants to have undertaken, at a late hour, an entirely new course
4 of defense.” *Morongo Band of Mission Indians v. Rose*, 893 F.2d 1074, 1079 (9th Cir.
5 1990). Here, Plaintiff seeks to assert the same patent against the same defendants. As
6 such, the litigation is not significantly altered, and the Court concludes that there is no
7 undue prejudice to Defendant.

8 In addition, the Court finds that Plaintiff has articulated sufficient reasons why the
9 amendment is not futile. While Courts can freely grant leave to amend under Rule 15,
10 the Court may also deny leave for futility on a discretionary basis when a proposed
11 amendment lacks a cognizable legal basis. *See Shermoen v. United States*, 982 F.2d
12 1312, 1319 (9th Cir. 1992). Amendments can be considered futile when “no set of facts
13 can be proved under the amendment to the pleadings that would constitute a valid and
14 sufficient claim or defense.” *Missouri ex rel. Koster v. Harris*, 849 F.3d 646, 656 (9th
15 Cir. 2017) (internal quotation omitted). Examples of futile amendments include those
16 that are “duplicative of existing claims” or “patently frivolous.” *Murray v. Schriro*, 745
17 F.3d 984, 1015 (9th Cir. 2014) (alteration omitted). In other words, amendments are
18 futile when they are clearly subject to dismissal. *See DCD Programs, Ltd.*, 833 F.2d at
19 188; *Moore v. Kayport Package Express*, 885 F.2d 531, 542 (9th Cir. 1989).

20 Denial of leave to amend for futility is rare since Courts typically defer
21 consideration on the merits until after an amended pleading has been filed. *See, e.g.*,
22 *Green Valley Corp. v. Caldo Oil Co.*, No. 09-CV-04028-LHK, 2011 WL 1465883, at *6
23 (N.D. Cal. Apr. 18, 2011) (pointing that there is a “general preference against denying a
24 motion for leave to amend based on futility”); *Allen v. Bayshore Mall*, 12-cv-02368-JST,
25 2013 WL 6441504, at *5 (N.D. Cal. Dec. 9, 2013) (“The merits or facts of a controversy
26 are not properly decided in a motion for leave to amend and should instead be attacked by
27 a motion to dismiss for failure to state a claim or for summary judgment.”). Courts have
28 liberally construed the standard for leave to amend on the basis that parties’ arguments

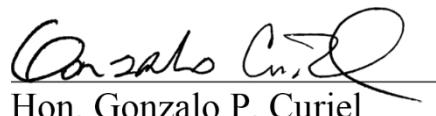
1 are better developed through a motion to dismiss. And when the parties' arguments are
2 more completely formed, Courts are better able to rule on the sufficiency of the
3 allegations presented. This Court surmises that denial of leave to amend is even more
4 remarkable and aberrant when Plaintiff has never before sought leave and has filed only
5 his first iteration of the operative Complaint.

6 Here, Plaintiff has amended the complaint to bring only the claims of the '538
7 patent that were unchallenged during the CBM review and reexamination. Although Life
8 Tech did challenge many claims of the '538 Patent, over 60 claims were left
9 unchallenged. The remaining claims that Plaintiff now seeks to bring in this action were
10 not subject to invalidation. As a result, there is no indication that these claims are clearly
11 invalid and futile. Accordingly, the Court finds that Plaintiff's second amended
12 complaint cannot be deemed obviously subject to dismissal.

13 **IV. Conclusion**

14 For the forgoing reasons, the Court will **GRANT** Plaintiff's Motion for Leave to
15 file a Second Amended Complaint. ECF No. 118.

16 Dated: August 26, 2019


17 Hon. Gonzalo P. Curiel
18 United States District Judge

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